

**FRANCHISE TAX BOARD
MINUTES
SEPTEMBER 19, 2000**

The Franchise Tax Board met in open session at 2:50 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Kathleen Connell, Hon. Dean Andal, and Hon. B. Timothy Gage.

Franchise Tax Board

Staff Participating: Gerald H. Goldberg, Brian W. Toman, Benjamin F. Miller, Titus Toyama, John Vrana, Cathy Cleek, Tommy Leung, Katie Horn.

Others Participating: Greg Turner representing Cal-Tax, Amy Silverstein representing Morrison and Foerster, Richard E.V. Harris, Richard Neilson representing Pillsbury Madison & Sutro, Dana Callahan representing California Student Aid Commission, Marvin Klotz, and Lenny Goldberg representing Children Now.

Item 1. – Approval of Board Minutes

The minutes of the July 5, 2000, Franchise Tax Board meeting were unanimously approved.

Item 2. – California Tax Policy Conference Site for 2003

The Board unanimously approved relocation of the 2003 California Tax Policy Conference.

Item 3. - Filing

- a. Internet
- b. Form 2EZ

The Board unanimously accepted the staff's report.

Item 4. – Treatment of Interest Offset as a Result of Hunt-Wesson

The Board heard from the following members of the public concerning treatment of Interest Offset as a result of Hunt-Wesson:

Greg Turner	Cal-Tax
Amy Silverstein	Morrison & Foerster
Richard E. V. Harris	
Richard Neilson	Pillsbury, Madison & Sutro

The Board approved 2-1 (Member Gage voting no) the proposed compromise guideline language submitted by Cal-Tax, as amended, and directed staff to proceed with a legislative proposal.

Item 5. – Regulations Report

- a. Proposed Regulation 19041 and 19044 (Protests)

The Board unanimously accepted the staff's report.

- b. Proposed Regulation 25106.5 (Combined Report Mechanics)

The Board unanimously accepted the staff's report.

- c. Proposed Regulation 25137(c) (Occasional Sale of Intangibles)

The Board unanimously approved the staff recommendation and authorized staff to proceed with adoption of the proposed amendments to the regulation in accordance with the Administrative Procedure Act.

- d. Proposed Regulation 25106.5-1 (Intercompany Transactions)

The Board unanimously approved the staff recommendation and authorized staff to proceed with adoption of the regulation in accordance with the Administrative Procedure Act.

- e. Discussion Draft Proposed Regulation 19504 (Audit Procedures), submitted by Member Andal

The Board unanimously adopted the alternative A timeline proposed by Member Andal and directed staff to move forward with a symposium.

Item 6. – Processing Petitions Filed Pursuant to R&TC Section 25137

The Board unanimously approved the proposed resolution regarding the consideration of petitions filed pursuant to section 25137 of the Revenue and Taxation Code.

Item 7. – Demand Penalty – R&TC Section 19133

The Board heard from the following members of the public concerning the demand penalty:

Marvin Klotz

Chair Connell asked that alternative 1 be amended to require staff to check back four years to determine who is a repeat non-filer. The Board voted 2-1 (Member Gage voting no) to approve Alternative 1 (as amended) - Only repeat nonfilers would be assessed the demand penalty (the "may" option). The Board also approved resubmission of the previously approved legislative proposal to revise the computation of the demand penalty.

Item 8. – Tax Amnesty Mailing – City and County of San Francisco

The Board voted 2-1 (Member Andal voting no) to approve the tax amnesty mailing for the City and County of San Francisco.

Item 9. – Student Loan Collection Program

The Board heard from the following person concerning the Student Loan Collection Program:

Dana Callahan California Student Aid Commission

The Board directed staff to continue with the interagency offset program and to work with the Department of Finance, as appropriate, with regard to the balance of the department's student loan collection activities.

Item 10. – Child Support

The Board heard from the following member of the public concerning Child Support:

Lenny Goldberg Children Now

Mr. Gerald Goldberg told the Board that the project charter is now posted on FTB's web site, that the department has awarded a contract for the project management office and that it is about to release its procurement plan. He also told the Board that the department's Request for Interest has been released to the state contract registry. Mr. Goldberg reported that staff is making very reasonable progress towards the goal of implementing the system.

Item 11. – Applications for Voluntary Disclosure

The Board unanimously approved the anonymous Applications for Voluntary Disclosure pursuant to Revenue and Taxation Code section 19191.

Item 12. – Legal Branch Resource Needs

See discussion under Item 13a below.

Item 13. – Administrative Matters

a. FY 2001/02 Budget Change Proposals

The Board approved the following BCPs as proposed by staff 2-0 (Member Gage abstaining):

- #1 Planning Estimate Adjustments
- #2 E-File Performance Audit Savings
- #3 Budget Control Language
- #5 Network Backbone Upgrade
- #6 Integrated Non-Filer Project
- #8 Data Center Infrastructure

- #9 Call Center Level of Service
- #10 Central Office Fire Alarm Upgrades
- #13 Dependent Care Credit (AB 480)

The Board approved 2-0 (Member Gage abstaining) BCP #4, Legal Branch Workload Growth, as amended to include an additional 22.6 PY's for unfunded legal workloads and 31.5 PY's for new workloads resulting from proposed Regulation 19041. The revised BCP will include a total of 54.1 PY's and \$5,757,000.

The Board amended the staff proposed BCP #7, Protest Regulations, to delete the 31.5 PY's for new workloads resulting from proposed Regulation 19041 that were transferred to BCP #4. This transfer left 85.4 PY's and \$6,823,000 in BCP #7. The Board deferred action on the revised BCP #7, pending a staff report on FTB audit activities and resource needs.

The Board received BCP #12, California Child Support Automation System, for informational purposes.

- b. Facilities Action Requests (Form 9): West Covina District Office - Investigations Expansion; Los Angeles District Office - Legal Office & Hearing Room; Central Office - Data Center Air Filtration System for Print Room; Central Office - Data Center Break; Central Office - Data Center Tape Library Air Supply Upgrade; Central Office - Data Center/Mail Operations Access Door; Central Office - Building 1 Roof Replacement.

The Board unanimously approved the proposed Form 9 requests.

Item 14. – Executive Officer's Time

Mr. Goldberg had no items for discussion.

Item 15. – Board Members' Time

The Board unanimously approved all Employee Recognition Resolutions. (John Akin, Ellen Anderson, Georgianna Arth, John Bebout, Kermit Blades, Benton Blakely, Patsy Boddy, Jackie Booth, Janet Bowman, William Bruening, Michael Burruss, Lois Calvert, Shirley Chen, Martin Chew, Harry Commons, Dan Converse, Lawrence Counts, John Cunningham, Joanne Curtright, Philip Curtright, Anita Davidson, Marjorie DeQuincy, Linda Edgett, Barbara Eidson, Dawn Ellett, Linda Floyd, Elsie Furuta, Martha Garcia, Sue Gilmore, Sheryl Gray, Norma Grimes, Penny Helfrich, Douglas Hillis, Sharon Holck, Linda Holland, Harold Holman, Renee Jaffarian, Tom Kelley, Alice Kimsey, Lynn King, Robert Koehler, Marshall Lassiter, Donna Lines, Shirley Mallory, Loretta Menne, William Micsan, Steven Mitchell, Robert Murrey, Sandra Myers, William Ninde, Fred Nunes, Rose O'Connor, Beverly O'Toole, Carole Onorato, Robert Ortega, Ronald Oster, Gregory Parde, AnnaMarie Pascoe, Blanche Peyton, Sue Richmond, Earlene Rist, Lorna Robinson, Tom Rodrigue, Patricia Rodriguez, Linda Roth, Carl Schaeffer, Toni Scherr, Sue Schneckloth, Susan Sharpe, Anne Smith, Frederick Smith, Sharon Swain, Chester Tanihana, Kathy Tescher, Grace Thomas-Kaiser, Wayne Tressler, Wilhelmina Vanooyen, Mario Vlahovic, Nadene Willes, Carol Wurzer, James York, Judith Yorston)

The meeting adjourned at 4:04 p.m.

Board Secretary

Date